



AUDIT REFERRAL # 03-04

FEDERAL ELECTION COMMISSION
Washington, DC 20463

April 22, 2003

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MEMORANDUM

TO: LAWRENCE H. NORTON
GENERAL COUNSEL

THROUGH: JAMES A. PEHRKON *JAP*
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FROM: JOSEPH F. STOLTZ *JFS*
ASSISTANT STAFF DIRECTOR
AUDIT DIVISION

for ALEX R. BONIEWICZ *JFS*
AUDIT MANAGER

PHILOMENA BROOKS *PB*
LEAD AUDITOR

SUBJECT: THE DEMOCRATIC PARTY OF WISCONSIN FEDERAL ACCOUNT -
REFERRAL MATTER

On April 10, 2003 the Commission approved the Final Audit Report on the Democratic Party of Wisconsin Federal Account (DPW). The report was released to the public on April 22, 2003. As a result, the attached finding meets the criteria for possible compliance action.

The DPW responded adequately to part of Finding, IV.2 Recordkeeping for Disbursements by providing documentation for six disbursements totaling \$660,677 as recommended. However, the DPW failed to provide documentation to resolve recordkeeping errors identified by our sample; this matter is being referred to your office.

All workpapers and related documentation are available for review in the Audit Division. Should you have any questions regarding this matter, please contact Philomena Brooks or Alex Boniewicz at 694-1200.

Attachment:

Finding IV.2, Recordkeeping for Disbursements, FAR, pages 6-7.

Finding 2. Recordkeeping for Disbursements

Summary

The DPW lacked documentation, such as invoices, receipted bills or canceled checks, for approximately 11% of operating expenditures tested in our sample. In addition, a separate review indicated the DPW did not maintain such documentation for six disbursements made to two vendors amounting to \$660,677.

In response to the interim audit report recommendation the DPW provided documentation for the six disbursements totaling \$660,677. However, DPW failed to provide documentation to resolve the recordkeeping errors identified by our sample. (For more detail, see p. 5)

Legal Standard

Required Records for Disbursements. For each disbursement in excess of \$200, the treasurer of a political committee must maintain a receipt, invoice or canceled check. 2 U.S.C. §432(c)(5) and 11 CFR §102.9(b).

Preserving Records and Copies of Reports. The treasurer of a political committee must preserve all records and copies of reports for 3 years after the report is filed. 2 U.S.C. §432(d).

Facts and Analysis

Based on a sample review of disbursements, the DPW did not maintain a canceled check, invoice or receipt for approximately 11% of disbursements in excess of \$200.

In addition, a separate review of all disbursements made to two vendors, a media firm and a polling firm, revealed that the DPW failed to maintain a receipt, invoice or canceled checks, for six disbursements totaling \$660,677.

At the exit conference, the Audit staff advised the DPW representative of these matters. The representative stated that canceled checks would be requested from the bank in the future.

Interim Audit Report Recommendations

The Audit staff recommended that the DPW review its disbursement records and identify those payments in amounts greater than \$200 for which there is no canceled check, invoice or bill and obtain and submit the required documentation for the Audit staff's review.

Committee Response to Recommendation and the Audit Staff's Assessment

In its response, documentation was submitted for the six payments (\$660,677) made to a media firm and a polling firm. The DPW provided copies of the front and back of the

negotiated checks for three payments totaling \$62,886 and copies of three wire transfers, totaling \$597,791, resolving this matter.

However, DPW failed to provide any documentation to resolve the recordkeeping errors identified by our sample. Rather, the DPW stated in its response that it would be cost prohibitive to order canceled checks. The response further stated that the DPW would be reinstating procedures to receive all canceled checks from the bank in the future.